

PROVIDING THE BASIS FOR AUTHORIZATION OF IRRIGATION
WORKS IN CONNECTION WITH CHIEF JOSEPH DAM, TO PROVIDE
FOR FINANCIAL ASSISTANCE THERETO FROM POWER REVENUES

JUNE 27, 1952.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. ENGLE, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany H. R. 6163]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H. R. 6163) to provide the basis for authorization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Strike all after the enacting clause and insert in lieu thereof the following language:

That the Secretaries of the Army and Interior are authorized to proceed in relation to the Chief Joseph Dam project on the Columbia River, Washington, initially authorized by section 1 of the Act of July 24, 1946 (60 Stat. 637), in accordance with the provisions of this Act for the purpose in addition to those for which initially authorized, to make a study and report to Congress of means of providing financial and other assistance in the reclamation of arid lands in the general vicinity of the project. In making such study and report the Secretaries shall be guided by the provisions of applicable reclamation laws.

SEC. 3. Any such reclamation works proposed to be constructed under the study authorized by this Act may be undertaken only after the Secretary of the Interior has submitted a report and findings thereon under section 2 of this Act and section 9 of the Reclamation Project Act of 1939 (53 Stat. 1187), and only if the works so reported on are thereafter specifically authorized by act of Congress.

SEC. 4. Nothing in this Act shall modify in any way the requirements and provisions of existing laws with respect to the availability of funds for construction and operation and maintenance of the Chief Joseph Dam and power plant.

Amend the title so as to read:

A bill to provide the basis for authorization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes.

2 PROVIDE BASIS FOR AUTHORIZATION OF CHIEF JOSEPH DAM

SEC. 2. The report of the Secretary of the Interior shall state, among other things, the construction cost of the proposed works, including said authorized project and proposed reclamation units; the portions of said cost allocable to various functions; the operation and maintenance costs of all functions (of the project); the amount of the construction cost allocable to irrigation which the irrigators may reasonably be expected to repay, together with the proposed charges for water service and proposed repayment period upon the irrigation allocation; the amount of the cost allocable to irrigation in excess of that which the irrigators can repay, which the Secretary proposes shall be recovered from power revenues; the proposed charges for power, and proposed repayment period on the amount allocable to power; the proposed interest rate on the power investment, and the disposition which the Secretary proposes to make of the interest component and other components of the power revenues; the unrecovered cost to the Federal Treasury of the works proposed, in connection with the means of financing recommended by the Secretary; the ratio of net costs to net benefits; the ratio of net benefits per acre to irrigators' repayment per acre; and a complete financial analysis of repayment program together with all other data reasonably required to enable the Congress to pass upon the economic feasibility of the proposed works.

EXPLANATION OF THE BILL

The principal purpose of the bill is to provide for the making of reports by the Secretaries of the Army and Interior as a basis for possible future legislation and justification of irrigation projects. The reports would consider the means of providing financial and other assistance from the Chief Joseph Dam project in the reclamation of arid lands located in the Columbia River drainage area between Grand Coulee Dam and Moses Coulee. The bill provides the Secretary of the Interior with a legislative basis for the preparation of a report involving an Army project, which report shall be in keeping with the principles of the Federal reclamation laws, these being the act of June 17, 1902 (32 Stat. 388), and acts amendatory thereof and supplementary thereto.

For purposes of making a report, it is assumed that assistance in the repayment of irrigation costs, which are in excess of the amount that the water users may reasonably be expected to repay, may be obtained by allocating such costs for repayment from Chief Joseph Dam power revenues and that Chief Joseph Dam power may be available to meet the irrigation pumping needs of the proposed irrigation developments at suitable rates.

The committee understands that since Chief Joseph Dam, under construction by the Corps of Engineers, is not now governed by the Federal reclamation laws, there is no authority in law to predicate proposed irrigation developments in that vicinity on the allocation of irrigation costs for repayment from power revenues. For the purpose of the preparation of reports, the bill will provide the missing authority. In making the report, the committee desires that the report cover, among other things, the matter of assurances required as to availability of power at special rates suited to the irrigation pumping needs of the reclamation units being reported on.

No works could be undertaken under this bill until they have been specifically authorized by the Congress.

The committee recognizes that the lands in the vicinity of Chief Joseph Dam are so situated that they may need to be reported on and developed as separate units of the Chief Joseph Dam project. If that proves to be the case, this situation should be pointed out by the Secretary of the Interior in connection with his presentation of re-

ports on the units first proposed for authorization and it would be appropriate at that time for the Secretary of the Interior to make his recommendation concerning the number, extent, and location involved in reports on other units that his investigations to that point of time indicate should be considered by later authorization.

The committee in approving this legislation wants it understood that nothing in this act shall be construed as approval or disapproval of existing interpretation of the Federal reclamation law with respect to the application of interest on power investment to the return of irrigation costs.

The favorable report of the Secretary of the Interior and the report of the Department of the Army read as follows:

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington 25, D. C., May 14, 1952.

Hon. JOHN R. MURDOCK,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives, Washington 25, D. C.*

MY DEAR MR. MURDOCK: You have asked for a statement of the views of this Department on H. R. 6163, a bill to provide the basis for authorization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes.

I recommend enactment of the bill.

By way of background to this recommendation, it will be useful to recall that, at the time of its authorization in 1946, local sponsors of Chief Joseph Dam, then known as Foster Creek Dam, were profoundly impressed with its importance to irrigation development in the area. This Department was concerned at that time lest the pending authorization of the project would be such as to preclude later use of the works in connection with potential irrigation developments in its vicinity and application of power revenues from the development to assist in the financing of such developments. It then appeared to us that these objectives could best be served by having the project authorized for construction by this Department. In so recommending, we said in a letter to the Chief of Engineers, dated March 4, 1946 (H. Doc. 693, 79th Cong., p. xi):

"It is essential, in order to safeguard the development of the Northwest, that the Foster Creek project be not excluded from the financial plan for the development of the entire area. If it were to be set up separately, without financial relationship to the irrigation developments, the benefits of financial assistance to irrigated agriculture would be denied. It is essential that this project be considered as one unit in a complete plan which would integrate irrigation and power and would give due consideration to power rates within the basin as a whole."

The objective of providing all possible assistance to sound irrigation developments in the vicinity of Chief Joseph Dam is still a desirable one and, although the recommendations of this Department were not followed when the project was authorized in 1946, it is still possible to attain these objectives by supplementing existing legislation dealing with that project. Enactment of H. R. 6163 will serve these purposes and will do so without change in the present responsibilities given by law to the Secretary of the Army and Chief of Engineers with respect to the construction, operation, and maintenance of Chief Joseph Dam and power plant.

Section 3 of the bill would, subject to the conditions set out in the next paragraph of this letter, authorize the Secretary of the Interior to construct, operate, and maintain under the Federal reclamation laws, but as divisions of the Chief Joseph Dam project, works which are found to be feasible for the irrigation of lands in the basin of the Columbia River and its tributaries between Grand Coulee Dam and Moses Coulee, all in the north central part of Washington. The principal potential developments are lands in the immediate vicinity of Chief Joseph Dam, including lands in the lower reaches of the Okanogan Valley, lands in the upper reaches of that valley, lands along the main stem of the Columbia River in the vicinity of Wenatchee, and lands in the lower reaches of Moses Coulee. The potential developments mentioned include both new lands and lands requiring supplemental water for irrigation. Many of the developments will be found economically feasible only through the providing of pumping facilities and pumping power at favorable rates.

4 PROVIDE BASIS FOR AUTHORIZATION OF CHIEF JOSEPH DAM

Whatever works are proposed to be built under this bill could, I understand, be undertaken only after they had been reported on in accordance with the provisions of section 9 of the Reclamation Project Act of 1939, with specific showings as to the costs and benefits of the proposed works, and only after the works so reported on had been authorized specifically by act of Congress. Such works when authorized would be treated as divisions of the Chief Joseph Dam project and, for purposes of determining the financial feasibility of works and providing for the return of reimbursable costs, there could be assigned for return from project power revenues such reimbursable construction costs of the proposed works as are found to be in excess of the amounts that the water users can reasonably be expected to repay under the provisions of the Federal reclamation laws. In addition, the Secretary, in whom the responsibility for the marketing of power from Chief Joseph Dam has already been vested by law, would have the authority to reserve sufficient power and energy for the pumping of water for the irrigation of lands to be served from works authorized under section 3 of the bill. In connection with such a reservation he would have authority to establish special rates for that kind of service. This latter provision is an especially important one, since the factor of pumping power rates will likely prove to be controlling in determining the feasibility of several of the areas that might be included in divisions of the project under section 3 of the bill.

The provisions of section 5 of the act of December 22, 1944 (58 Stat. 887, 890, 16 U. S. C., 1946 ed., sec. 825s), as modified by the provisions of section 2 of the bill, would govern the establishment of rates for power to be available from Chief Joseph Dam power plant and, under the provisions of the latter section, the Secretary would be authorized to apply power revenues to irrigation costs assigned for return from power revenues to the same extent that such revenues may be so applied under the Federal reclamation laws.

At the present time the Bureau of Reclamation is carrying on an investigational program in the area defined in section 3 of the bill. While those investigations are not complete, some preliminary estimates are available as to the acreage of new lands and lands needing supplemental water that may be found feasible of development in accordance with the procedure proposed by the bill. What is now regarded as the probable maximum development in areas investigated to date includes about 34,500 acres of new land and 13,000 acres of land needing supplemental water supply. In addition, there are other lands which probably could be benefited. Present indications are that the authorizations will be recommended in stages, each division to comprise lands in geographically defined parts of the entire area.

Preliminary cost estimates based on 1952 price levels indicate that the construction costs of irrigation works for this total development would amount to about \$34,000,000. At the present time no reliable estimates have been made of the part of this amount that could be repaid by the water users, but it is believed that it would be substantial. The current estimate of the cost of Chief Joseph Dam and power plant, on the basis of a 16-unit generating system, is \$206,000,000, not including interest during construction.

The total amount of interest to be earned on the power investment in Chief Joseph Dam, assuming for the moment that the total is allocated to commercial power, would be about \$165,000,000 over a 50-year period. For this calculation the rate of 2½ percent per annum has been used, this being the rate heretofore used by the Bonneville Power Administration in its rate and pay-out determinations on other dams built by the Corps of Engineers. I am much aware of the current controversy concerning the application of the interest component of power revenues to the retirement of irrigation costs assigned for return from power revenues. This bill, as I understand it, does not attempt to settle this issue, but it is so framed that the interest component of Chief Joseph power revenues could be applied in the same manner and to the same extent that is permitted under the Federal reclamation laws. If so applied here, the interest component, as is indicated by the figures given above, will be greatly in excess of the costs expected to be assigned for return from power revenues. If the interest component is not so applied, the effect of the required assistance to irrigation on pay out is of relatively small moment.

At rate levels for power and energy expected to prevail on the Bonneville Power Administration system, the power investment could be expected to be returned in 50 years with interest at 2½ percent per annum from the time the power plant is completed and put into service, if past repayment practices should be continued. After pay-out of the power investment is accomplished, there could be available annually, after the payment of operation, maintenance, and replace-

ment costs, about \$7,662,000 if it is assumed that no change would be made in project returns to reflect the repayment of the power investment. Hence, even if the total amount of irrigation construction costs were assigned for repayment by power revenues and the interest component were not applied in the usual manner, it appears that these costs could be repaid by power revenues by extending the pay-out period about 4½ years.

There are now pending before the Senate Committee on Interior and Insular Affairs two bills, S. 2318 and S. 2319, to authorize the establishment of a Columbia Basin account. We have heretofore reported favorably on similar bills. The enactment of H. R. 6163 would not be inconsistent with enactment of one or the other of these bills.

The Bureau of the Budget has advised that there is no objection to the presentation of this report to your committee.

Sincerely yours,

R. D. SEARLES,
Under Secretary of the Interior.

DEPARTMENT OF THE ARMY,
Washington 25, D. C., June 3, 1952:

Hon. CHARLES A. BUCKLEY,
*Chairman, Committee on Public Works,
House of Representatives.*

DEAR MR. BUCKLEY: Reference is made to your request to the Secretary of Defense for the views of the Department of Defense with respect to H. R. 6163, Eighty-second Congress, a bill to provide the basis for authorization of irrigation works in connection with Chief Joseph Dam, to provide for financial assistance thereto from power revenues, and for other purposes. The Secretary of Defense has delegated to the Department of the Army the responsibility for expressing the views of the Department of Defense thereon.

The Department of the Army on behalf of the Department of Defense has considered the above-mentioned bill. The purpose of the bill is to expand the authorization for Chief Joseph Dam in the State of Washington to include the reclamation of arid lands in the general vicinity of the project and to provide for financial assistance in such reclamation. The bill provides for the provision to be made in the construction of the dam for irrigation outlets of such capacity as may be agreed upon between the Secretaries of the Interior and the Army, the dam to be operated to provide for release of water for irrigation and for reservation of power for pumping of water for irrigation. The Secretary of the Interior would be authorized to allocate to irrigation appropriate portions of project costs and to apply power revenues to the return of such costs and to other irrigation costs to the extent permissible under Federal reclamation laws. The bill also would authorize the Secretary of the Interior to construct irrigation works between Grand Coulee Dam and Moses Coulee, as divisions of the Chief Joseph project, subject to subsequent specific congressional authorization.

The Department is of the opinion that the principal provisions of the bill can be accomplished under existing law, with the exception of the provision for financial assistance to irrigation from power revenues. The existing legislation of particular applicability is section 8 of the 1944 Flood Control Act (58 Stat. 887), which provides in part that whenever the Secretary of the Army determines, upon recommendation by the Secretary of the Interior, that any dam and reservoir project operated under the direction of the Secretary of the Army may be utilized for irrigation purposes, the Secretary of the Interior is authorized to construct such works as he may deem necessary for irrigation purposes, subject to subsequent authorization by Congress. With respect to the provision for financial assistance to irrigation from power revenues, this Department in an agreement with the Department of the Interior concerning the Columbia River Basin, dated April 11, 1949, indicated its concurrence in this general principle in connection with projects in the Pacific Northwest. Accordingly, the Department has, in general, no objection to the objectives of the bill. However, in view of the existing authority, it is suggested that the only provision requiring additional legislation, that is, the one providing for financial assistance, be accomplished by simple amendment of the Chief Joseph project authorization to provide that, whenever Congress has authorized the construction of irrigation works as divisions of the Chief Joseph project, power revenues may be applied to the return of reimbursable irrigation costs found to be beyond the reasonable ability of the

6 PROVIDE BASIS FOR AUTHORIZATION OF CHIEF JOSEPH DAM

water users to repay to the extent that such revenues are available over and above all costs properly chargeable to power, including interest on power investment.

The provisions of section 2 (c) pertaining to allocation by the Secretary of the Interior to irrigation of appropriate portions of the costs of the dam and power plant would conflict with and partially duplicate responsibilities of the Department of the Army. The Department of the Army's responsibility for the project investigations and reports to Congress and for construction, operation, and maintenance includes the responsibility for making the necessary allocations of cost to all project purposes including irrigation. Such duplication of responsibilities is unsound; and the proposed authority for allocation by the Secretary of the Interior should be eliminated.

On the other hand, if your committee should favorably consider enacting all the provisions of H. R. 6163, section 2 (c) should be modified to provide that the Department of the Army in connection with the over-all allocation of costs shall allocate appropriate portions of the costs of the dam and power plant to irrigation, after consultation with the Department of the Interior. Further, it should be made clear both in section 2 (c) and section 3 (a) that the revenues to be applied to the return of irrigation costs shall only be such as are available above all costs chargeable to power, interest on the power investment to be specifically included in such charges to power. The Department considers it inadvisable that there be any implication in the bill that interest on the power investment may be applied to the return of irrigation costs. It is suggested also that the rates for power for irrigation pumping should be subject to approval by the Federal Power Commission along with rates for other power users as provided in section 5 of the 1944 Flood Control Act.

A similar report on a companion bill, S. 2320, has been coordinated among the departments and boards of the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Bureau of the Budget advised that there would be no objection to the submission of a similar report on S. 2320, the companion bill, but the Department of the Army understands that the Bureau does not recommend enactment of S. 2320 at this time.

Sincerely yours,

FRANK PACE, Jr.,
Secretary of the Army.